

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

Matthews Consultants

Enforcement Case No. 06-4015

Agency 06-537-SR

J. Lamar Matthews

Docket No. 2006-559

Respondents
_____ /

*Issued and entered
On September 18, 2006
by Richard D. Lavolette
Chief Deputy Commissioner*

CONSENT ORDER AND STIPULATION

A. FINDINGS OF FACT AND CONCLUSIONS OF LAW

It is alleged that the following statements are true and correct:

1. At all pertinent times, Management Consultants International, Inc. ("MCIC") was a corporation organized under the laws of the State of Michigan since 1998 (Corporate ID #539071), and is located at 30800 Telegraph Road, Suite 1850, Bingham Farms, Michigan 48025.
2. MCIC is not a registered broker-dealer in the State of Michigan.
3. At all pertinent times, Raymond V. Michael ("Michael") was the President of MCIC and from on or about September 2003 to the present was the resident agent of MCIC and is located at 30800 Telegraph Road, Suite 1850, Bingham Farms, Michigan 48025.
4. Michael is not a registered securities agent in the State of Michigan.
5. J. Lamar Matthews ("Matthews") alleges that in approximately 2003, he responded to an advertisement in the Detroit Free Press (purportedly placed by MCIC) offering an opportunity to earn 4% a month "factoring corporate invoices with full recourse."
6. Mr. Matthews and his wife allege that they personally met with Michael at MCIC's Bingham Farms office for a sales presentation. Matthews further alleges that at no time

during the sales presentation or thereafter did Michael or anyone else associated with MCIC ever suggest that the factoring program known as "Energy Invoice Factoring Program" (hereinafter, the "EIFP") was or could be considered a security under Michigan law.

7. Matthews alleges that to the contrary, Michael represented to him and his wife that he had been involved in the factoring business for many years and the EIFP that he was presenting to them was not a security or under state regulation but rather involved short term loans to businesses.
8. Matthews alleges that based on Michael's sales presentation and representations, he and his wife decided to test the EIFP by investing \$1,000 on or about October 20, 2003.
9. Matthews alleges that when he and his wife began to receive monthly payments as a result of their \$1,000 investment, Michael encouraged them to use the equity in their home to substantially increase their investment in the EIFP.
10. Matthews alleges that over the next several months he and his wife, on Michael's recommendation, obtained home equity loans and other money (including the cash value of insurance policies) and used the proceeds to invest approximately \$140,000 in the EIFP.

Amount	Length of Contract	Approximate Date of Investment
\$1,000	2 years	October 2003
\$39,000	2 years	Jan/Feb/March 2004
\$10,000	2 years	Jan/Feb/March 2004
\$55,000	5 years	April 2004
\$35,000	5 years	June/July 2004

11. Matthews alleges that although he and his wife did receive interest payments, those payments ended in approximately February 2006 (with the payment of the December 2005 interest payment). Matthews further alleges that he and his wife have not received their principal back on any of their investments in the EIFP.
12. Matthews alleges that during his first meeting with him, Michael said that he wanted to recruit people to sell the EIFP to others. Matthews further alleges that at no time during that meeting or thereafter did Michael or anyone else associated with MCIC tell J. Lamar Matthews that he would need a license or any other type of registration to sell the EIFP.

13. Matthews alleges that Michael represented to him that he had taken a part in the passing of a law that allowed the sale of factoring contracts or accounts receivable from businesses without a license or registration. There is no such law or statute.
14. Matthews alleges that after he began to receive interest payments as a result of his personal investment in the EIFP he mentioned the EIFP to his personal acquaintances.
15. Matthews alleges that in April or May of 2004, Michael advised him to form a separate entity in which to conduct the business of recommending the EIFP to others.
16. Although Matthews did not form a separate entity, Matthews alleges he used the name of Matthews Consultants with Michael's consent.
17. Matthews Consultants is not a registered broker-dealer in the State of Michigan.
18. At all pertinent times, Matthews was an agent for Matthews Consultants, and an agent of MCIC. Both Matthews and Matthews Consultants are located at 22214 Camille, Woodhaven, Michigan 48183.
19. Matthews was not and is not a registered securities agent in the State of Michigan.
20. The Commissioner alleges that from on or about May 2002 to November 2004, MCIC and Michael sold over \$2 million in investment contracts to approximately 70 investors alleging that they were selling EIFP.
21. Of the approximately 70 investors, that the Commissioner alleges purchased the EIFP contracts from MCIC and Michael, Matthews alleges that from approximately February 2004 to approximately August 2004, he facilitated as an agent for MCIC the purchase of the EIFP to several acquaintances listed below:

<u>Amount</u>	<u>Length of Contract</u>	<u>Approximate Date of Investment</u>
XXXXXXXXXX		
\$20,000	60 months	March/April 2004
\$20,000	60 months	May/June 2004
\$20,000	60 months	August/September 2004
XXXXXXXXXX		
\$20,000	60 months	August/September 2004
XXXXXXXXXX		
\$25,000	36 months	April/May 2004
XXXXXXXXXX		
\$20,000	60 months	April/May 2004

XXXXXXXXXX

\$20,000

60 months

April/May 2004

XXXXXXXXXX

\$20,000

60 months

July/August 2004

XXXXXXXXXX

\$10,000

60 months

July/August 2004

22. Matthews alleges that any money that the above described individuals used to purchase the EIFP contracts was given directly to Michael at MCIC.
23. Matthews witnessed the above described individuals sign the EIFP contracts, but alleges that any other paperwork prepared in connection with the above-described individuals purchase of the EIFP contracts was prepared by MCIC and/or Michael. Any agreements that the above described individuals (including assignment and factoring agreements) were between the above-described individuals and MCIC.
24. Matthews was involved in the operation, but not the management of MCIC.
25. In October 2004, Mr. Matthews received a letter from John M. Boruta, Senior Regulation Specialist of the Office of Financial and Insurance Services, requesting information concerning the EIFP. By that date, Matthews alleges he had ceased any activities relating to the EIFP and/or MCIC.
26. Matthews alleges that Michael represented to him and others that the EIFPs were accounts receivables of EnerCom, Inc. and/or other vendors. However, EnerCom, Energy Directions, Inc. and MCIC were not involved in factoring accounts receivables, instead MCIC was selling its right to receive payments under its contract with EnerCom.
28. The Commissioner alleges that Respondents knew or had reason to know that Section 101(1) of the Act, MCL 451.501(1), makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to employ any devise, scheme, or artifice to defraud.
29. The Commissioner alleges that Respondents further knew or had reason to know that Section 101(2) of the Act, MCL 451.501(2) makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to make any untrue statement of a material fact or omit any material factor to otherwise commit fraud.
30. The Commissioner alleges that Respondents further knew or had reason to know that Section 101(3) of the Act, MCL 451.501(3) makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to

engage in any act, practice, or course of business, which operates as a fraud or deceit upon a person.

31. The Commissioner alleges that Respondents further knew or had reason to know that Section 201(a) of the Act, MCL 451.601, prohibits a person from transacting business as a securities broker-dealer or agent unless that person is registered in the State of Michigan.
32. The Commissioner alleges that Respondents further knew or had reason to know that Section 301 of the Act, MCL 451.701, makes it unlawful for a person to offer or sell any security in the State of Michigan unless it is: 1) registered under the Act, 2) an exempt securities transaction under Section 402 of the Act, or 3) is a federally covered security.
33. The Commissioner alleges that Respondents further knew or had reason to know that Section 401(z) of the Act, MCL 451.801(z) defines a "security" which includes an investment contract.
34. The Commissioner alleges that based on the Respondents' failing to provide investors with material information, their fraudulent and deceitful behavior, their failure to register as securities broker-dealers or agents, and their offer and sale of unregistered securities, Respondents have violated Sections 101, 201, and 301 of the Act, MCL 451.501, 451.601, and 451.701.

B. ORDER

Based on the findings of fact and conclusions of law above and Respondent J. Lamar Matthews's stipulation, it is **ORDERED** that:

1. Respondent J. Lamar Matthews and Matthews Consultants shall immediately cease and desist from operating in such a manner as to violate Section 101, 201, and 301 of the Michigan Uniform Securities Act, MCL 451.501, 451.601, and 451.701.
2. Respondents shall pay Nine Thousand Three Hundred Fifty Dollars, (\$9,350.00) on a prorated basis to the investors listed in paragraph twenty-one (21), as disgorgement of their 2004 Agent Compensation on sales of investment contracts. Respondents shall make the first payment to the investors no later than January 1, 2007, with quarterly payments thereafter, and complete the disgorgement payments within twenty-four (24) months or by January 1, 2009. Further, Respondents shall submit to OFIS, Securities Division a quarterly report showing proof of payment to the investors.
3. Respondent Matthews shall pay to the State of Michigan a civil fine of One Thousand Seven Hundred and Fifty Dollars (\$1,750.00). Upon issuance and entry of this Order, OFIS will send Respondent an Invoice for the civil fine, which will be due within 30-days of issuance of the Invoice.



Richard D. Lavolette
Chief Deputy Commissioner